

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BOARD OF ADMINISTRATION

INVESTMENT COMMITTEE

September 19, 2005

Chief Investment Officer's

Consolidated Investment Activity Report

(July 2005 Reporting Period)

Market Environment – July 31, 2005

General Market Commentary

Equity markets rose and fixed income markets fell in July 2005. In the United States, the unemployment rate remained constant, while consumer and producer prices rose along with the price of oil.

Domestic and International Equities

Equity markets around the world rose in July 2005, marking the third consecutive month of advances. In the United States, the broad market (Russell 3000) rose 4.1%, led by the 6.3% generated by small-cap equities (Russell 2000). Growth outperformed value in all capitalization ranges. Emerging markets (MSCI EMF) rose 7.1%, and Non-US developed markets returned 3.1% (MSCI EAFE), both in U.S. Dollar terms.

Domestic and International Fixed Income

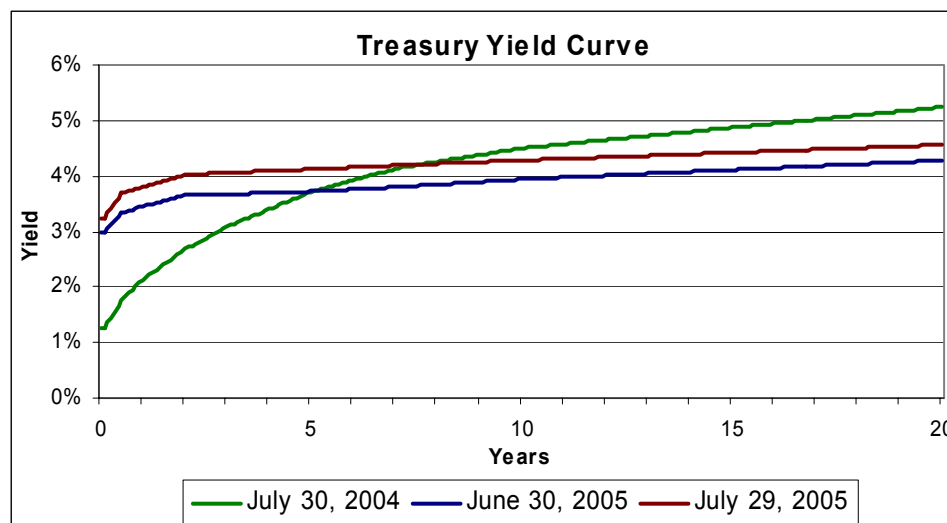
Fixed income declined in most sectors of the U.S. fixed income market as interest rates rose in all maturities. The Lehman Brothers Aggregate Bond Index returned -0.9% in July 2005. Short-term government instruments (90-Day T-Bills) and high yield debt (LB High Yield) experienced positive returns at 0.2% and 1.1%, respectively. Non-U.S. sovereign debt returned -0.9% (Citi-WGBI ex US).

Real Estate

Real estate, as measured by the NAREIT Equity Index, returned 7.1% in July 2005. The NCREIF Index of Real Estate Properties returned 5.3% in the quarter ended June 2005.

Private Equity, Absolute Return Strategies

The Venture Economics All Private Equity Index returned 14.0% for the 12 months ended March 2005 and 12.5% for the 10 years ended March 2005. Absolute Return funds (CSFB/Tremont Hedge Fund Index) returned 1.9% in July 2005 and 10.4% in the twelve months ended July 2005.



MARKET INDICATORS	7/30/2004	Direction	6/30/2005	Direction	7/29/2005
1m LIBOR (fixed in \$)	1.50%	▲	3.34%	▲	3.52%
Federal Funds	1.25%	▲	3.25%	—	3.25%
10Y Treasury Note Yield	4.47%	▼	3.94%	▲	4.29%
30Y Treasury Bond Yield	5.20%	▼	4.22%	▲	4.47%
DJ-Wilshire 5000 Comp	10,716.60	▲	11,856.67	▲	12,333.31
S&P 500	1,101.72	▲	1,191.33	▲	1,234.18
NASDAQ Composite	1,887.36	▲	2,056.96	▲	2,184.83
FTSE 100 Index	4,413.10	▲	5,113.20	▲	5,282.30
Nikkei 225 Index	11,325.78	▲	11,584.01	▲	11,899.60
Yen/\$ (Dollar Strength)	111.390	▼	110.910	▲	112.250
Euro/\$ (Dollar Strength)	0.831	▼	0.827	▼	0.824
GBP/\$ (Dollar Strength)	0.550	▲	0.558	▲	0.568
Crude Oil per Barrel	\$ 43.80	▲	\$ 56.50	▲	\$ 60.57
Gold (\$/oz Daily Spot)	\$ 391.40	▲	\$ 437.10	▼	\$ 429.00
GS Commodities Index	\$ 307.48	▲	\$ 380.05	▲	\$ 402.61

CalPERS Asset Allocation – July 31, 2005

Summary

- Total Fund Market Value was \$194.6 Billion
- Total Fund Book Value was \$149.1 Billion
- All Asset Classes are within their permissible ranges relative to target ranges and strategic target levels.

Book to Market Value Comparison

	Book Value (\$ Billion)	Market Value (\$ Billion)	Difference (\$ Billion)
Total Cash Equivalents	\$1.7	\$1.7	\$0.0
Total Global Fixed Income	\$48.8	\$49.8	\$1.0
Domestic Equities ¹	\$45.5	\$79.0	\$33.5
International Equities	\$34.1	\$43.7	\$9.6
AIM Direct/Partnerships	\$11.2	\$9.2	\$-2.0
Total Global Equities	\$90.8	\$131.9	\$41.1
Total Real Estate	\$7.8	\$11.1	\$3.3
Total Equities and Real Estate	\$98.6	\$143.0	\$44.4
Total Fund	\$149.1	\$194.6	\$45.5

¹ Included is LM Capital Investment: Total Book Value=**\$179.0M**, Total Market Value=**\$179.0M**.

* Figures for this report are rounded for viewing purposes. Calculations are based on actual values. When summing net amounts on this report, there may be breakage.

Top Company Exposures

- As a very significant institutional investor, CalPERS has large exposures to the securities of many corporations either through internal or externally managed portfolios. Consistent with board requested information and in support of the Board of Administration's oversight role, a schedule of the top 20 company exposures is prepared for informational purposes and can be found on Page 4.

CalPERS Total Fund Top 20 Company Exposures

Based on Total Market Values as of 7/31/2005

Company Name	Equity Exposure				Total Equity Market Value	Fixed Income Exposure				Total FI Market Value	Real Estate	TOTAL Market Value	% of Total Fund(3)
	Internally Managed		Externally Managed			Exposure (1)							
	Active	Passive	Active	Passive									
GENERAL ELECTRIC	243,429,930	1,387,227,750	163,581,060		1,794,238,740	49,749,189	47,887,043	700,374,107	798,010,339		2,592,249,079	1.00%	
EXXON MOBIL CORP	165,533,765	1,445,194,188	207,963,368		1,818,691,320				0		1,818,691,320	0.96%	
CITIGROUP	131,962,166	856,014,750	163,881,900		1,151,858,816	82,868,089	117,634,428	149,983,065	350,485,582		1,502,344,398	0.72%	
MICROSOFT CORP	204,839,229	1,055,513,589	142,193,225		1,402,546,043				0		1,402,546,043	0.74%	
WAL MART STORES INC	157,910,130	801,300,885	70,705,907		1,029,916,922	17,771,344	1,159,263		18,930,607		1,048,847,529	0.55%	
PFIZER INC	139,785,566	755,212,370	81,318,960		976,316,896	5,696,189			5,696,189		982,013,085	0.52%	
HSBC HOLDINGS		91,750,917	29,152,856	433,888,837	554,792,610	156,228,621	18,022,825	202,535,506	376,786,952		931,579,562	0.39%	
BANK OF AMERICA	91,745,474	670,859,161	102,857,894		865,462,529	45,382,583	12,998,870		58,381,453		923,843,982	0.49%	
JOHNSON + JOHNSON	101,752,173	716,409,564	96,291,780		914,453,517	0			0		914,453,517	0.48%	
INTEL CORP	123,999,457	660,270,062	95,532,013		879,801,532	0			0		879,801,532	0.47%	
CHEVRONTXACO CORP	101,682,248	467,972,471	117,514,686		687,169,405	120,298,177	18,393,133		138,691,310		825,860,715	0.44%	
JPMORGAN CHASE & CO	50,567,901	478,106,361	56,582,428		585,256,690	14,178,829	13,926,677	207,847,360	235,952,866	8,828,590	830,038,146	0.33%	
AMERICAN INTL GROUP INC	85,400,804	589,869,700	56,882,980		732,153,484	9,433,893	4,524,599		13,958,492		746,111,976	0.39%	
INTERNATIONAL BUSINESS I	88,783,913	539,477,094	44,303,906		672,564,914	8,676,529		60,010,062	68,686,591		741,251,505	0.36%	
BRITISH PETROLEUM	0	117,460,321	41,331,760	559,386,737	718,178,818	0			0		718,178,818	0.38%	
VERIZON	44,881,691	354,420,843	38,522,422		437,824,976	268,649,583	8,001,202		276,650,785		714,475,761	0.38%	
BERKSHIRE HATHAWAY	75,769,306	461,964,712	23,127,100		560,861,118	0		149,865,075	149,865,075		710,726,193	0.30%	
PROCTER + GAMBLE CO	87,961,043	539,204,901	75,940,513		703,106,457	5,048,792			5,048,792		708,155,249	0.37%	
CISCO SYS INC	118,278,635	490,065,735	49,946,647		658,291,017	0			0		658,291,017	0.35%	
VODAFONE GROUP	0	81,804,336	140,273,393	390,461,429	612,539,158	38,660,272			38,660,272		651,199,430	0.34%	

(1) Real Estate exposure data only includes the 20 companies with the highest annual lease revenues for each core partnership, excludes properties in escrow. The market value exposures are calculated based only on two years of expected lease revenues.

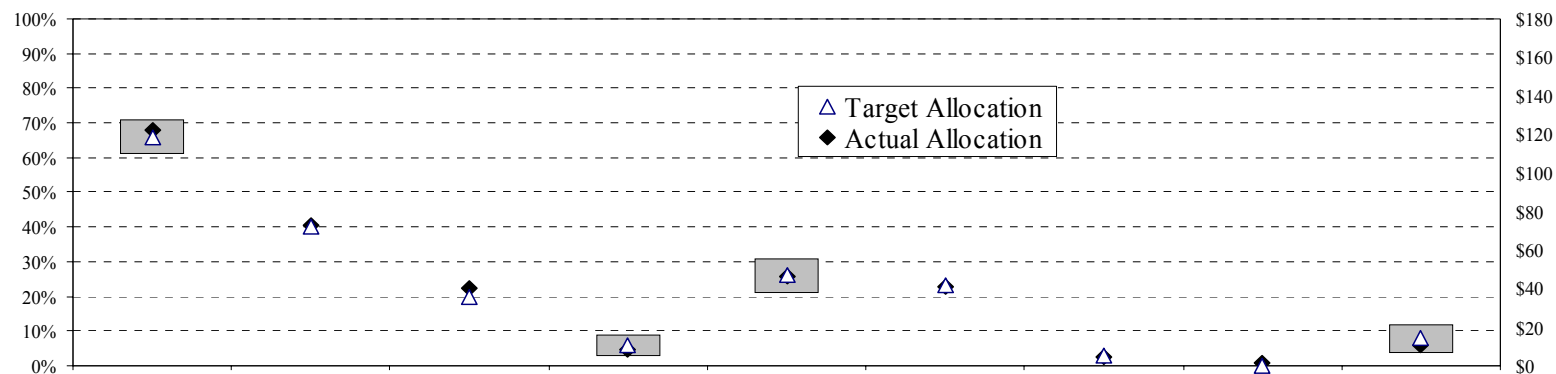
(2) Does not include Repos

(3) Excludes securities lending exposure

CalPERS

Asset Allocation as of July 31, 2005

Total Fund Market Value: **\$194,576,470,386**



	Total Equity	Domestic Equity	Non-U.S. Equity	Private Equity	Global Fixed	Domestic Fixed	Non-U.S. Fixed	Cash ²	Real Estate	Total Fund
Target Range	61-71%	N/A	N/A	3-9%	21-31%	N/A	N/A	N/A	4-12%	N/A
Strategic %	66.0%	40.0%	20.0%	6.0%	26.0%	23.0%	3.0%	0.0%	8.0%	N/A
Actual %	67.8%	40.6%	22.5%	4.7%	25.6%	22.9%	2.7%	0.9%	5.7%	N/A
Variance %	1.8%	0.6%	2.5%	(1.3%)	(0.4%)	(0.1%)	(0.3%)	0.9%	(2.3%)	N/A
Strategic \$ ³	\$128.4	\$77.8	\$38.9	\$11.7	\$50.6	\$44.8	\$5.8	\$0.0	\$15.6	N/A
Actual \$ ^{3 4}	\$131.9	\$79.0	\$43.7	\$9.2	\$49.8	\$44.5	\$5.3	\$1.7	\$11.1	N/A
Variance \$ ³	\$3.5	\$1.1	\$4.8	(\$2.4)	(\$0.7)	(\$0.2)	(\$0.5)	\$1.7	(\$4.5)	N/A
% Passive	69.5%	83.3%	59.3%	0.0%	0.0%	0.0%	0.0%	0.0%	4.2%	47.4%
% Active	30.5%	16.7%	40.7%	100.0%	100.0%	100.0%	100.0%	100.0%	95.8%	52.6%
% Internal ¹	49.9%	83.3%	0.0%	0.0%	88.0%	98.6%	0.0%	45.9%	4.2%	57.0%
% External ¹	50.1%	16.7%	100.0%	100.0%	12.0%	1.4%	100.0%	54.1%	95.8%	43.0%

Net asset values include accurate accounting on int'l fixed income, domestic fixed income mortgage, and Credit Suisse currency overlay portfolios. Does not reflect gain/loss on monthly-priced portfolios.

¹ For cash percentage only, average over previous 6 months.

² Cash includes SMIF at STO and cash equivalents held in internal portfolios.

³ (\$ Billion)

⁴ Based upon Trade Date Accounting as recommended by CFA Institute GIPS Standards.

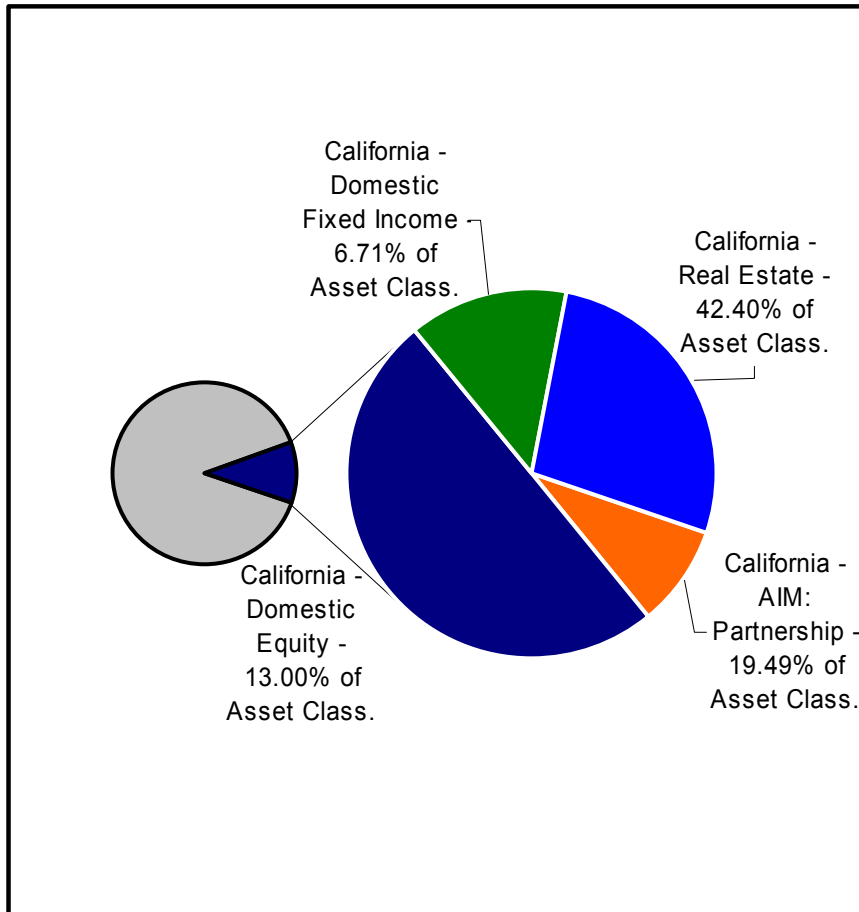
Private Equity Asset Allocation as of 07/31/2005			
Funded	\$(in Billions)	% Allocation	Target Range
Current Market Value	\$9.23	4.7%	
Unfunded Commitment	\$8.30	4.3%	
Current Market Value plus Unfunded Commitment	\$17.53	9.0%	3-9%

CalPERS Investments in the State of California – July 31, 2005

The State of California offers CalPERS a number of attractive investment opportunities. The following charts summarize the investments by asset class as of the date of this report. A detailed report on California investments is available in the supplemental reporting document.

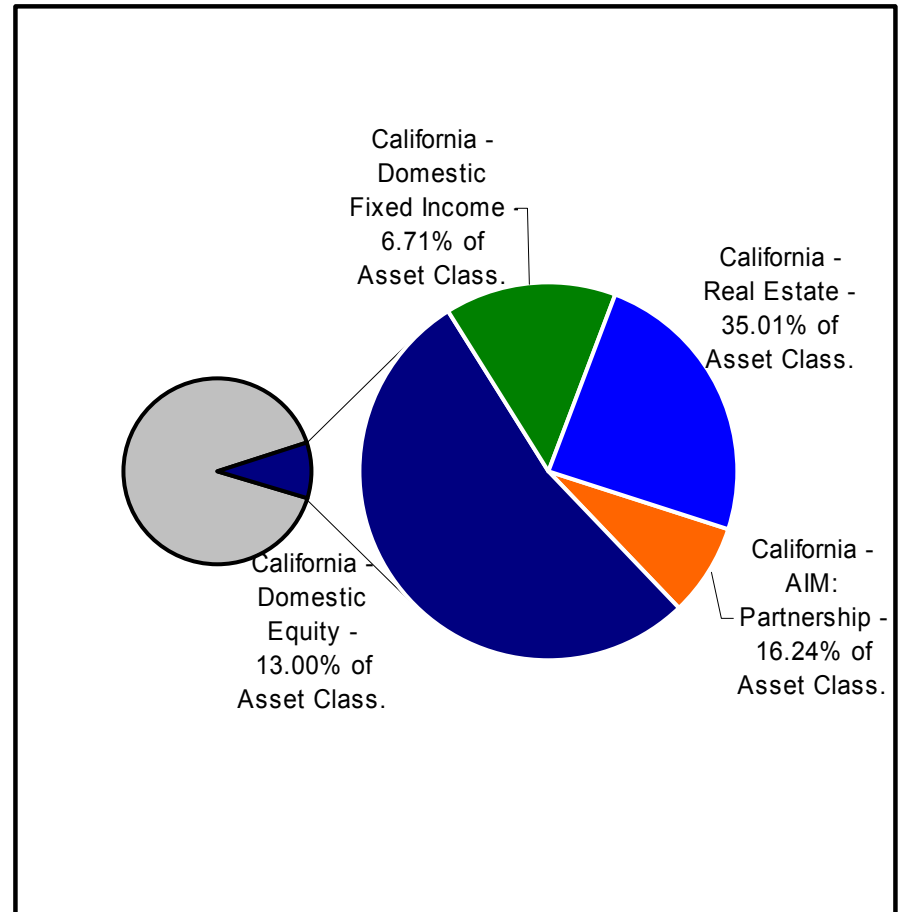
California Commitments (includes unfunded investments)

Current California Commitments at 7/31/2005 Total Fund %: 10.54%



California Investments

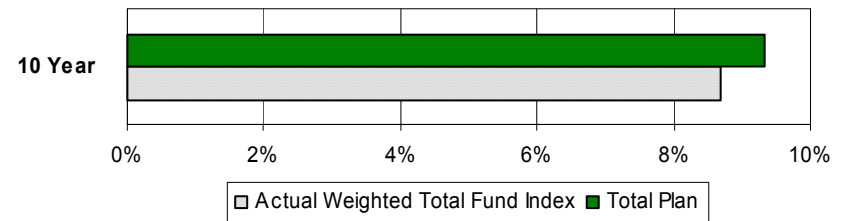
Current California Investments at 7/31/2005 Total Fund %: 9.89%



Performance Summary – July 31, 2005

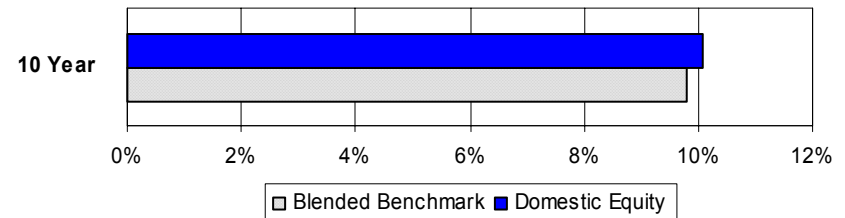
Total Plan:

Net Total Fund returns have exceeded the Actual Weighted Total Fund Index in all periods shown. Ten-year net returns were 9.32% versus 8.69% for the actual weighted total fund index.



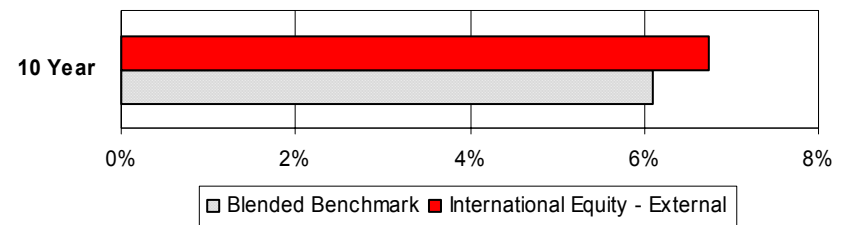
Domestic Equity:

Net Domestic Equity returns have exceeded the Policy Index in all but calendar year to date and 1-year periods. Ten-year net returns were 10.09% versus 9.81% for the blended benchmark.



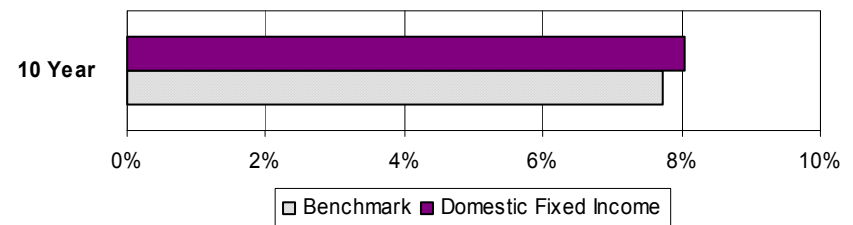
International Equity:

Net International Equity (External) returns including the currency overlay (which has hindered medium-term returns) generally outperformed all but medium-term blended benchmark returns. Despite observed medium-term underperformance, ten-year net returns were 6.75% (6.26% without currency overlay) versus 6.10% for the blended benchmark. The Internal portfolio had a one-quarter return of 5.54% (exceeding its benchmark of 5.30%)



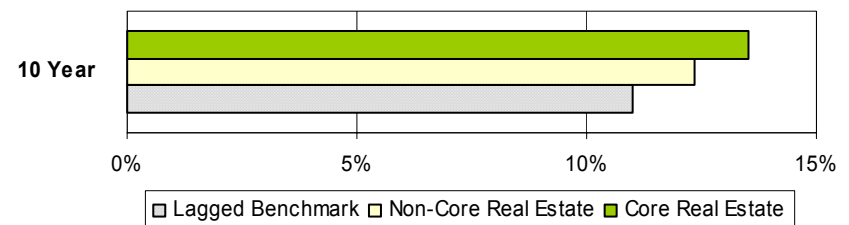
Domestic Fixed Income:

Net Domestic Fixed Income returns have exceeded or matched the benchmark in all periods shown. Ten-year net returns were 8.03% versus 7.71% for the benchmark.



Real Estate:

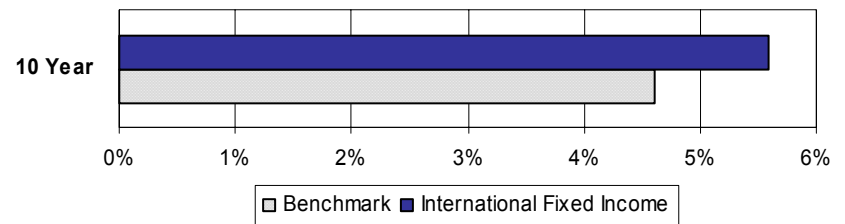
Net returns to the Core Portfolio have exceeded the lagged benchmark in all periods shown. Non-core portfolio returns have exceeded the benchmark in all periods shown. Ten-year net returns were 13.54% for the Core Real Estate portfolio and 12.36% for Non-Core Real Estate versus 11.02% for the lagged benchmark.



Performance Summary – July 31, 2005

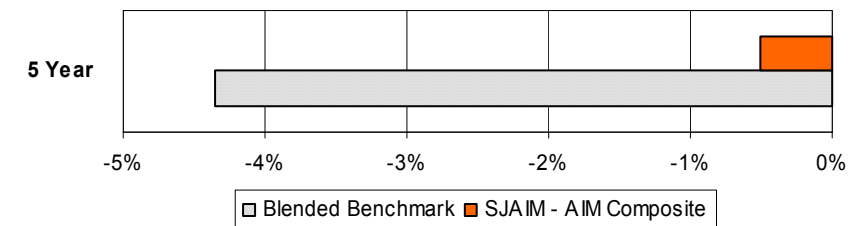
International Fixed Income:

Net International Fixed Income returns have exceeded the benchmark in all periods shown except for one-month and fiscal-year-to-date. Ten-year net returns were 5.58% versus 4.61% for the benchmark.



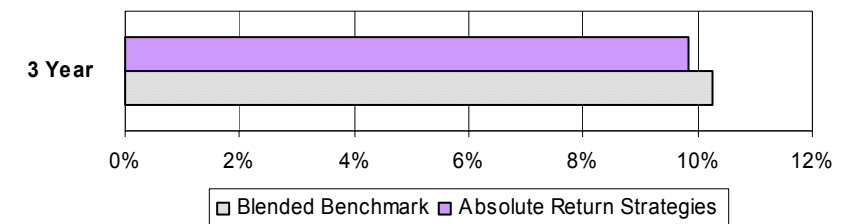
Alternative Investments:

Net returns for the Alternative Investments portfolio have exceeded the blended benchmark in all periods shown except for one-month and fiscal-year-to-date. Five-year net returns are shown for the AIM Composite, which includes distributed stock (–0.19% vs. –4.35%). Ten-year net returns for the AIM Partnership & Direct Composite exceeded the benchmark (12.39% vs. 7.68%).



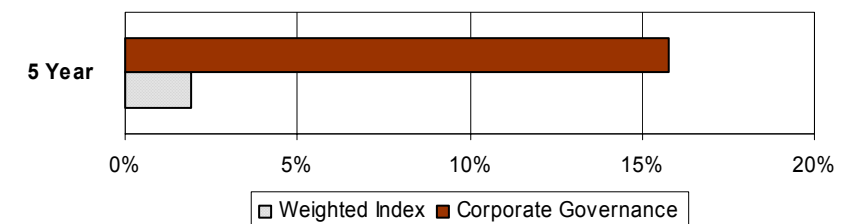
Absolute Return Strategies:

Net Absolute Return Strategies returns have outperformed all but the three-year period shown. Three-year net returns were 9.84% versus 10.25% for the blended benchmark.



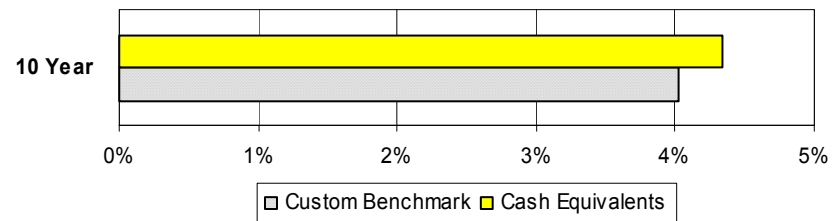
Corporate Governance:

Net returns to Corporate Governance Investments have exceeded the Weighted Index in all long-term periods shown. Five-year net returns were 15.76% versus 1.90% for the weighted index.



Cash Equivalents:

Net returns for the Cash Equivalents portfolio have exceeded the benchmark in all periods shown except for one-month and fiscal-year-to-date. Ten-year net returns were 4.34% versus 4.02% for the benchmark.



CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CIO REPORT
GROSS RATES OF RETURN
Period Ending July 31, 2005
Investment Committee Meeting September 2005

	MKT VAL (000'S)	One Month Jul 05	QTR May - Jul 05	FYTD 05-06	CYTD 2005	1 Year	3 Years	5 Years	10 Years
TOTAL PLAN									
SJ1CA1 TOTAL FUND	194,576,470	2.29	6.60	2.29	5.48	17.24	13.80	4.25	9.46
CALPERS POLICY INDEX		2.04	5.38	2.04	4.17	15.47	12.61	3.44	8.73
ACTUAL WEIGHTED TOTAL FUND INDEX		2.10	5.51	2.10	3.96	15.72	12.78	3.49	8.69
GLOBAL EQUITY									
DOMESTIC									
SH8CA1 TOT DOME EQ+IND HG+ENV EX VENT, HDG, CG	76,247,709	4.08	9.01	4.08	3.97	16.23	14.16	-0.07	10.11
WILSHIRE 2500 EX TOBACCO (BLENDED)		4.06	8.96	4.06	4.02	16.37	14.08	-0.53	9.81
INTERNATIONAL - EXTERNAL									
SHBCA1 INTL TOT EXT EQ+MDP+IND HG, EX OVLY EX VT	36,353,378	3.88	6.51	3.88	4.21	25.44	18.71	2.04	6.30
SHBKA1 INTL TOT EXT EQ+MDP+IND HG+OVLY EX VT	36,651,334	3.99	8.09	3.99	6.20	25.63	17.44	1.47	6.80
CALPERS FTSE A-WX US/SSGA BLEND		3.76	6.37	3.76	3.79	25.00	19.02	2.14	6.10
INTERNATIONAL - INTERNAL									
SWB3 INTERNAL INTERNATIONAL EQUITY INDEX	5,272,563	3.36	5.54	3.36					
CALPERS FTSE DEV WORLD EX US & TOBACCO		3.34	5.30	3.34					
HEDGE FUND INVESTMENTS									
SNLCA1 TOTAL ARS PROGRAM COMPOSITE	1,221,862	2.39	5.70	2.39	5.47	13.32	10.28		
TOTAL ARS PROGRAM BLENDED INDEX		0.40	1.68	0.40	3.92	6.49	10.25		
CORPORATE GOVERNANCE									
SWMKA1 CORPORATE GOVERNANCE	3,060,397	-0.26	5.05	-0.26	8.59	25.68	22.77	16.29	
CALPERS TOTAL CORP GOV WEIGHTED INDEX		3.36	6.88	3.36	4.08	16.62	15.96	1.90	
MDP DOM FIXED INCOME-INVESTMENTS									
SN1KA1 MDP DOM FIXED INCOME-INVESTMENTS	179,016	-0.79	0.55	-0.79	0.74	5.05	7.19		
CITIGROUP BROAD INVESTMENT GRADE		-0.88	0.80	-0.88	1.70	5.02	5.16	7.08	6.77
GLOBAL FIXED INCOME									
DOMESTIC									
SJDKA1 TOTAL DOM FIXED	44,513,753	-1.08	1.32	-1.08	2.87	8.22	9.21	8.86	8.04
CALPERS CUSTOM LEH LPF		-1.43	1.17	-1.43	2.86	8.20	7.34	8.53	7.71
INTERNATIONAL									
SJDCA1 TOTAL INTERNATIONAL FIXED INCOME	5,326,957	-0.87	-4.48	-0.87	-5.93	8.19	11.26	8.71	5.66
CALPERS WORLD GOVT EX US		-0.84	-4.81	-0.84	-6.34	7.87	10.49	8.35	4.61
CASH EQUIVALENTS									
SJVKA1 TOTAL CASH	1,737,421	0.26	0.78	0.26	1.61	2.39	1.74	2.89	4.34
CALPERS CUSTOM STIF NET OF FEES		0.27	0.76	0.27	1.57	2.23	1.52	2.54	4.02
ALTERNATIVE INVESTMENTS									
SJXKA1 AIM: PARTNERSHIP & DIRECT INVESTMENTS	9,099,702	-0.42	12.51	-0.42	13.87	17.74	8.20	-0.19	12.39
SJAIM AIM COMPOSITE	9,234,525	-0.31	12.55	-0.31	13.71	18.27	8.42	-0.50	
PERS WILSHIRE 2500/CYFU BLEND		1.27	3.87	1.27	9.25	15.20	4.42	-4.35	7.68
SW2V AIM DISTRIBUTION STOCK	134,823	7.07	17.90	7.07	8.53	34.84	29.09	-12.91	
REAL ESTATE									
SW3CA1 CORE REAL ESTATE	7,288,168	0.15	14.35	0.15	27.76	38.78	18.10	16.93	14.98
SW7KA1 TOTAL NON-CORE REAL ESTATE	3,800,486	1.22	6.22	1.22	23.42	38.99	23.25	15.35	14.89
NCREIF PROPERTY 1 QTR LAG INDEX		0.00	3.51	0.00	8.33	15.55	10.74	10.15	11.02

⁽¹⁾ SJXKA1 actual inception 3/90, returns only available since conversion to State Street Bank. Excludes MDP venture accounts in composites SW9C, SWDC.
Private Real Estate valued at prior quarter-end; Public Real Estate valued at current month-end.

This report prepared by State Street Bank

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CIO REPORT
NET RATES OF RETURN
Period Ending July 31, 2005
Investment Committee Meeting September 2005

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TOTAL ARS PROGRAM BLENDED INDEX		0.40	1.68	0.40	3.92	6.49	10.25		
CORPORATE GOVERNANCE									
SWMKA1 CORPORATE GOVERNANCE	3,060,397	-0.26	5.01	-0.26	8.36	25.22	22.11	15.76	
CALPERS TOTAL CORP GOV WEIGHTED INDEX		3.36	6.88	3.36	4.08	16.62	15.96	1.90	
MDP DOM FIXED INCOME-INVESTMENTS									
SN1KA1 MDP DOM FIXED INCOME-INVESTMENTS	179,016	-0.79	0.51	-0.79	0.66	4.90	6.97		
CITIGROUP BROAD INVESTMENT GRADE		-0.88	0.80	-0.88	1.70	5.02	5.16	7.08	6.77
GLOBAL FIXED INCOME									
DOMESTIC									
SJDKA1 TOTAL DOM FIXED	44,513,753	-1.08	1.31	-1.08	2.86	8.20	9.20	8.85	8.03
CALPERS CUSTOM LEH LPF		-1.43	1.17	-1.43	2.86	8.20	7.34	8.53	7.71
INTERNATIONAL									
SJDCA1 TOTAL INTERNATIONAL FIXED INCOME	5,326,957	-0.87	-4.50	-0.87	-5.96	8.12	11.18	8.63	5.58
CALPERS WORLD GOVT EX US		-0.84	-4.81	-0.84	-6.34	7.87	10.49	8.35	4.61
CASH EQUIVALENTS									
SJVKA1 TOTAL CASH	1,737,421	0.26	0.78	0.26	1.61	2.39	1.74	2.89	4.34
CALPERS CUSTOM STIF NET OF FEES		0.27	0.76	0.27	1.57	2.23	1.52	2.54	4.02
ALTERNATIVE INVESTMENTS									
SJXKA1 AIM: PARTNERSHIP & DIRECT INVESTMENTS	9,099,702	-0.42	12.51	-0.42	13.87	17.74	8.20	-0.19	12.39
SJAIM AIM COMPOSITE	9,234,525	-0.32	12.54	-0.32	13.70	18.25	8.40	-0.51	
PERS WILSHIRE 2500/CYFU BLEND		1.27	3.87	1.27	9.25	15.20	4.42	-4.35	7.68
SW2V AIM DISTRIBUTION STOCK	134,823	6.32	17.06	6.32	7.48	33.48	27.68	-13.77	
REAL ESTATE									
SW3CA1 CORE REAL ESTATE	7,288,168	0.15	10.51	0.15	22.17	31.83	15.38	14.80	13.54
SW7KA1 TOTAL NON-CORE REAL ESTATE	3,800,486	1.22	5.19	1.22	15.96	28.65	18.15	11.60	12.36
NCREIF PROPERTY 1 QTR LAG INDEX		0.00	3.51	0.00	8.33	15.55	10.74	10.15	11.02

⁽¹⁾ SJXKA1 actual inception 3/90, returns only available since conversion to State Street Bank. Excludes MDP venture accounts in composites SW9C, SWDC.
Private Real Estate valued at prior quarter-end; Public Real Estate valued at current month-end.

This report prepared by State Street Bank

Investment Operations Report – July 31, 2005

Closed Session Transactions

- No items to report.

Activity Reports – July 31, 2005

- Staff prepares activity reports for the AIM, Absolute Return Strategies and Opportunistic Real Estate Programs. Detailed reports and investment summaries for the AIM and Risk Managed Absolute Return Strategies are included in the supplemental reporting document. Opportunistic Real Estate Investments will be reported below as they occur.

AIM Activity Report

Activity	Month	2003	2004	2005 YTD	Since Inception
Investment Proposals Received	31	298	381	176	5641
Declined/Referred/Failed to Materialize	6	206	223	266	4429
Deals in Screening	102	298	397	177	2654
Due Diligence Reviews	29	25	65	33	479
Authorized Investments (\$ Millions)	\$523.0	\$995.0	\$1,697.5	1928	\$25,336.3

Risk Managed Absolute Return Strategies Program Activity Report

Activity	2003	2004	2005 YTD	Since Inception
Information Received	181	59	37	535
Rejections Recommended	108	11	0	234
Managers for Further Review	72	45	37	282
Due Diligence Reviews	1	5	9	30
Approved by ARS Board	1	5	9	28
Funded Investments (\$ Millions)	\$95	\$149	\$278	\$1,006

Opportunistic Real Estate Investments Activity Report

Activity	Month
Apollo Fund V RLJ Urban Lodging Fund San Diego Smart Growth Fund Starwood Hospitality Fund I Triton Pacific Hines Brazil Hines Mexico Macquarie Asia Macquarie Europe Secured Capital II	June 2005

Quarterly Reports – June 30, 2005

According to policy requirements, the following is summary information extracted from the quarterly reports prepared for Investment Committee consideration. All Quarterly Reports are presented as of quarter ending June 30, 2005. Executive Summaries and Full Reports are available in the supplemental reporting document.

CalPERS Affiliate Funds:

Total Fund Performance Results

Total Fund Performance Periods Ended June 30, 2005

	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Judges II	3.8%	9.7%	9.4%	2.8%	-.-
<i>Weighted Policy Benchmark ¹</i>	2.2	8.6	8.7	2.5	-.-
Long Term Care ("LTC")	2.6	8.6	9.3	2.4	-.-
<i>Weighted Policy Benchmark</i>	1.5	7.9	8.7	2.2	-.-
Volunteer Firefighters ("VFF")	5.3	10.2	9.2	2.3	9.5
<i>Weighted Policy Benchmark</i>	3.3	8.8	8.5	2.0	9.4
SF Healthcare	0.8	2.4	2.0	3.4	-.-
<i>TUCS Public Fund Median ²</i>	2.3	9.4	9.6	3.5	9.0

Asset Allocation

	Judges II Actual	Judges II Policy		LTC Actual	LTC Policy		VFF Actual	VFF Policy	
			Diff			Diff			Diff
US Equity	33.9%	37.0%	-3.1%	42.5%	42.0%	0.5%	32.6%	54.0%	-21.4%
Int'l Equity	18.7	20.0	-1.3	19.8	20.0	-0.2	19.0	0.0	19.0
US Bonds	36.4	38.0	-1.6	37.6	37.0	0.6	35.3	36.0	-0.7
Real Estate	10.0	5.0	5.0	5.3	0.0	5.3	10.9	10.0	0.9
Cash	<u>1.0</u>	<u>0.0</u>	<u>1.0</u>	<u>-5.3</u>	<u>1.0</u>	<u>-6.3</u>	<u>2.2</u>	<u>0.0</u>	<u>2.2</u>
Total	100.0	100.0	0.0	100.0	100.0	0.0	100.0	100.0	0.0

¹ The weighted policy benchmark returns for Judges II, LTC, and VFF are based on asset class index returns weighted by asset class policy targets.

² The Trust Universe Comparison Service (TUCS) is a universe of over 1,000 client portfolio returns subdivided by client type and asset class.

Quarterly Reports – June 30, 2005

CalPERS Affiliated Funds (cont.)

Commentary

- ♦ VFF, Judges II, and LTC beat their respective weighted policies during the second quarter of 2005. Having the largest allocation to real estate securities and US equities among the three plans, VFF beat both Judges II and LTC as these markets were the best performers over the period. Judges II and VFF were positively impacted during the quarter by having an overweighted allocation to real estate securities relative to its policy. Effective July, 1st, VFF will have a new asset allocation plan of 20% to international equities and 34% to US equities. This will be shown in the 3rd quarter executive summary. The differences between the actual and the policy allocation for the US equity and international equity are due to trades that were executed at the end of June.

Legislators' Retirement System:

Commentary

Total Fund Performance Periods Ended June 30, 2005

	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
LRS	3.8%	8.8%	8.8%	4.6%	9.4%
<i>Weighted Policy Benchmark</i> ³	3.2	10.3	9.2	5.1	9.5
<i>TUCS Public Fund Median</i> ⁴	2.3	9.4	9.5	3.5	9.0

Asset Allocation

Asset Class	Actual	Policy	Difference
US Equity	29.5%	30.0%	-0.5%
International Equity	9.6	10.0	-0.4
US Bonds	49.4	50.0	-0.6
TIPS	11.7	10.0	1.7
Cash Equivalents	<u>-0.1</u>	<u>0.0</u>	<u>0.1</u>
	100.0	100.0	0.0

³ The weighted policy benchmark returns are based on asset class index returns weighted by asset class policy targets.

⁴ The Trust Universe Comparison Service (TUCS) is a universe of over 1,000 client portfolio returns subdivided by client type and asset class.

Quarterly Reports – June 30, 2005

Legislators' Retirement System (cont.)

Commentary

- ◆ The California Legislators' Retirement System ("LRS, the System") generated a return of 3.8%, during the second quarter of 2005, which outperformed weighted policy index over the period. Over the ten-year period, LRS has slightly trailed its policy index. LRS has beaten the TUCS Public Fund Median during most periods, with the exception of the one year and three year periods, which can be explained by its high allocation to bonds relative to other plans.
- ◆ As of quarter-end, the System's market value was \$136.7 million, which represents a net increase of approximately \$2.5 million from the beginning of the quarter. The market value change consisted of net distributions and administrative fees of \$2.3 million and a net investment gain of \$4.9 million.

Deferred Compensation Program Reports:

US Treasury Intermediate Term Fund:

	<u>12/96</u>	<u>12/97</u>	<u>12/98</u>	<u>12/99</u>	<u>12/00</u>	<u>12/01</u>	<u>12/02</u>	<u>12/03</u>	<u>12/04</u>	<u>06/05</u>
Market Value (\$ Millions)	41.4	44.9	56.9	48.4	48.9	53.3	58.1	55.6	20.7	21.7

PERFORMANCE* For Periods Ended June 30, 2005

	<u>Qtr.</u>	<u>1 Yr.</u>	<u>3 Yr. Annualized</u>	<u>5 Yr. Annualized</u>
U.S. Treasury Intermediate Term	2.13%	3.72%	4.00%	6.08%
<u>Benchmark:</u> CalPERS Custom Lehman 1-10	2.32%	3.86%	3.81%	5.84%

Comments: The second quarter of 2005 began with the yield on the U.S. Treasury 3 year note at 3.93% and the 5 year Note at 4.17%. During the quarter, interest rates fell in short term notes with maturities from 2 to 10 years. These changes occurred as demand for short term U.S. debt increased from foreign buyers as they sought higher yield. This resulted in a rise in the price of short term Notes as yields fell. During the quarter the Federal Reserve increased the Federal Funds Rate from 2.75% to 3.25%. The 3 year note ended the quarter at 3.65 and the 5 year Note at 3.7%

*Gross performance. Savings Plus Program has asset management fees of .14% per year. PERS 457 Program has asset management fees of .29% per year and an administration fee of .26% per year.

Quarterly Reports – June 30, 2005

Deferred Compensation Program Reports (cont.)

US Treasury Short Term Fund:

	<u>12/96</u>	<u>12/97</u>	<u>12/98</u>	<u>12/99</u>	<u>12/00</u>	<u>12/01</u>	<u>12/02</u>	<u>12/03</u>	<u>12/04</u>	<u>06/05</u>
Market Value (\$ millions)	35.5	40.8	49.5	50.5	53.8	56.3	52.6	48.1	23.1	24.8

PERFORMANCE*
For Periods Ended June 30, 2005

	<u>Qtr.</u>	<u>1 Yr.</u>	<u>3 Yr. Annualized</u>	<u>5 Yr. Annualized</u>
U.S. Treasury Short Term	0.69%	2.05%	1.45%	2.46%
<u>Benchmark:</u>				
PERS 1 Month T-Bill	0.64%	1.92%	1.40%	2.33%

Comments: During the second quarter of 2005, 1-month T-Bills traded in a range of 2.4% to 2.97% and ended the quarter at 2.97%. During the quarter the FOMC raised the Fed Funds target rate from 2.75% to 3.0% on May 3 and to 3.25% on June 30.

The U.S. Treasury Short Term Fund began on July 25, 1991, with the Savings Plus Program and grew as the PERS 457 Program was added in February 1995.

*Gross performance. Savings Plus Program has asset management fees of .12% per year. PERS 457 Program has asset management fees of .29% per year and an administration fee of .26% per year.

Quarterly Reports – June 30, 2005

Deferred Compensation Program Reports (cont.)

S&P 500 Index Funds:

	<u>12/96</u>	<u>12/97</u>	<u>12/98</u>	<u>12/99</u>	<u>12/00</u>	<u>12/01</u>	<u>12/02</u>	<u>12/03</u>	<u>12/04</u>	<u>06/05</u>
Market Value										
(\$ millions)	127.3	265.0	480.4	887.1	831.6	744.3	581.7	821.1	932.2	913.6

PERFORMANCE*				
For Periods Ended June 30, 2005				
	<u>Qtr.</u>	<u>1 Yr.</u>	<u>3 Yr.</u> <u>Annualized</u>	<u>5 Yr.</u> <u>Annualized</u>
S&P 500 Index Fund	1.38%	6.35%	8.17%	-2.46%
<u>Benchmark:</u>				
S&P 500 Index	1.37%	6.32%	8.28%	-2.37%

Comments: For the quarter, the portfolio returned 1bps versus the S&P 500 index. The NAV returns for the quarter and one-year period were 1.38% and 6.35% versus the benchmark's 1.37% and 6.32% respectively. The S&P 500 Index Fund began in November 1991 with the Savings Plus Program and grew as the PERS 457 Program was added in February 1995.

*Gross performance. As of July 1, 1996 asset management fees for the Savings Plus Program were renegotiated to .056% per year. Prior to July 1, 1996 Savings Plus Program had asset management fees of .16% per year. PERS 457 Program has asset management fees of .09% per year and an administration fee of .26% per year. **Above returns are calculated using Internal Rate of Return (IRR).

Quarterly Reports – June 30, 2005

Securities Lending Earnings:

Analysis:

Earnings for the quarter ended June 30, 2005, are presented to the Investment Committee for information.

Asset Class	Average Lendable Assets (\$ 000)	Average % on Loan	Net Margin (Annualized)	Net Income to CalPERS (\$ 000)
Global Equities	\$ 102,980,967	19%	47 bp	\$ 22,819
Global Fixed Income	\$ 27,250,423	55%	22 bp	\$ 8,083
Total Program	\$ 130,231,390		36 bp	\$ 30,902

Policy Violations:

- Boston Global Advisors did not violate the policy during the second quarter of the calendar year.
- Credit Suisse First Boston (CSFB) did not violate the policy during the second quarter of the calendar year.
- eSecLending did not violate the policy during the second quarter of the calendar year.
- Metropolitan West did not violate the policy during the second quarter of the calendar year.
- State Street Bank did not violate the policy during the second quarter of the calendar year.

Results:

- The securities lending program generated \$30.9 million of net income for the quarter ended June 30, 2005. The average market value of securities on loan for the quarter was \$34.5 billion.

Investment Transactions – June 30, 2005

Investment Transactions are reported to the Investment Committee for review under the requirements of California Government Code Section 20191. Information is provided in summary format in this consolidated document. Full reporting is available in the supplemental reporting document.

Portfolio Summary and Transactions Report:

- Purchases – Internal Management (Page 19)
- Sales – Internal Management (Page 20)
- Currency Hedge Portfolio Summary (Page 21)
- Currency Hedge Portfolio Transactions (Page 21)

Investment Transaction Information as of 06/30/2005: (full reporting is available in the supplemental reporting document)

- Fixed Income Transactions
 - Internal Domestic
 - External International and High Yield
 - Special Mortgage Investment Program Transactions
 - High Yield Performance
- Equity Summary & Transactions
 - Internal Domestic
 - Corporate Actions
 - External Domestic
 - External International
- Internal Programs
 - Closed Real Estate Transactions Summary
 - Dispositions Summaries
 - Cal West/Rreef – Meadows Land Parcel, CalPERS share \$2,246,153.00
 - Cal East/LaSalle – CalEast Core Portfolio Sale, CalPERS share \$836,214,053.00
 - Acquisition Summaries
 - Bridge Urban – Kirker Creek, CalPERS share \$20,399,027.00
 - Cal East/LaSalle – 4909 David Strickland Road, CalPERS share \$126,365.00
 - AIM Program Transactions
 - Summary Listing of Capital Calls and Aggregate Distributions
 - AIM Program Investments Completed under Delegation of Authority
 - Investment Summaries
 - Advent Latin America Private Equity Fund III, L.P. \$50 million commitment.
 - Belvedere Capital Fund II, L.P. \$40 million commitment.
 - CVC European Equity Partners IV, L.P. €300 million commitment.
 - Insight Venture Partners V, L.P. \$45 million commitment.
 - Insight Venture Partners V Co-investment Fund, L.P. \$10 million commitment.
 - Skyline Ventures IV, L.P. \$20 million commitment.
 - Trinity Ventures IX, L.P. \$25 million commitment.
 - Risk Managed Absolute Return Strategies Program Items Completed Under Delegation of Authority
 - Investment Summaries
 - Rhapsody Fund, L.P. was partially redeemed \$22,474,000.00 as of July 7, 2005.

Portfolio Summary and Transactions

INVESTMENT TRANSACTIONS SUMMARY

(\$ Millions)

June 30, 2005

PURCHASES

INTERNAL MANAGEMENT

	<u>PAR</u>	<u>COST</u>	<u>ANNUALIZED YIELD</u>	<u>%OF LONG TERM PURCHASES</u>
<u>ALTERNATIVE INVESTMENTS:</u>				
Partnership Component	255.6	\$261.7	N/A	1.91%
<u>BONDS:</u>				
Utilities & Industrials	316.0	\$317.7	5.84%	2.32%
Sovereign	<u>16.7</u>	<u>18.3</u>	4.94%	<u>0.13%</u>
Total	332.7	\$336.0		2.46%
<u>GOVERNMENTS:</u>				
U.S. Agencies & Treasuries	2,156.1	\$2,517.8	4.18%	18.40%
<u>MORTGAGE SECURITIES:</u>				
Pass-Through	6,032.8	\$5,993.8	4.90%	43.80%
CMO	<u>59.0</u>	<u>59.3</u>	<u>4.70%</u>	<u>0.43%</u>
Total	6,091.8	\$6,053.1		44.23%
<u>EQUITIES:</u>				
Common Stock		\$982.6	N/A	7.18%
EXTERNAL MANAGEMENT				
<u>EQUITIES AND FIXED INCOME:</u>				
International Common Stock		\$1,134.0	N/A	8.29%
Domestic Common Stock		1,677.8	N/A	12.26%
International Fixed Income		<u>721.3</u>	N/A	<u>5.27%</u>
Total		\$3,533.1		25.82%
TOTAL PURCHASES:		\$13,684.3		100%

Portfolio Summary and Transactions

INVESTMENT TRANSACTIONS SUMMARY

(\$ Millions)

June 30, 2005

SALES

INTERNAL MANAGEMENT

	<u>PAR</u>	<u>COST</u>	<u>PROCEEDS</u>	<u>GAIN/ LOSS</u>
<u>ALTERNATIVE INVESTMENTS:</u>				
Partnership Component	1.2	\$5.0	\$5.0	\$0.0
<u>BONDS:</u>				
Utilities & Industrials	58.6	\$63.9	\$59.8	(\$4.1)
Sovereign	<u>18.4</u>	<u>18.2</u>	<u>18.4</u>	<u>0.2</u>
Total	77.0	\$82.1	\$78.2	(\$3.9)
<u>GOVERNMENTS:</u>				
U.S. Agencies & Treasuries	1,476.5	\$1,596.5	\$1,622.6	\$26.2
<u>MORTGAGE SECURITIES:</u>				
Pass-Through	5,150.8	\$5,075.5	\$5,122.3	\$46.8
CMO	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>\$0.0</u>
Total	5,150.8	\$5,075.5	\$5,122.3	\$46.8
<u>EQUITIES:</u>				
Common Stock		\$473.1	\$532.8	\$59.8
EXTERNAL MANAGEMENT				
<u>EQUITIES AND FIXED INCOME:</u>				
International Common Stock		\$949.8	\$1,023.4	\$73.6
Domestic Common Stock		1,328.8	1,384.2	55.4
International Fixed Income		<u>747.2</u>	<u>756.9</u>	<u>9.7</u>
Total		\$3,025.8	\$3,164.5	\$138.7
TOTAL SALES:		\$10,258.0	\$10,525.6	\$267.6

Portfolio Summary and Transactions

CURRENCY HEDGE PORTFOLIO SUMMARY

(\$ Millions)

June 30, 2005

<u>PENDING FX CONTRACTS</u>	<u>COST</u>	<u>MARKET VALUE</u>
Total FX Purchased	\$1,448.1	\$1,388.0
Total FX Sold	\$9,380.4	\$8,938.8

CURRENCY OPTIONS

Currency Puts	\$287.7	\$287.7
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"For FX purchased, a market value higher than book value means the contracts have an unrealized gain as of the valuation date. For FX sold, a market value lower than book value means the contracts have an unrealized gain as of the valuation date."

CURRENCY HEDGE TRANSACTION SUMMARY

(\$ Millions)

June 30, 2005

<u>PURCHASES</u>	<u>COST</u>
Pending FX Contracts	\$589.3
<u>SALES</u>	<u>PROCEEDS</u>
Pending FX Contracts	\$787.6

Affiliate Funds Report- July 31, 2005

Staff has compiled the following investment transaction and portfolio summary reports prepared by the Custodian for the Affiliate Funds for the month ending July 31, 2005.

Affiliate Funds Allocation and Transaction Reports: [\(full reporting is available in the supplemental reporting document\)](#)

Legislators' Retirement Fund:

<u>Asset</u>	<u>BOOK VALUE</u>	<u>PERCENT OF PORTFOLIO</u>	<u>MARKET VALUE</u>	<u>PERCENT OF PORTFOLIO</u>
AFFILIATE TIPS	\$145,761,826.00	52.060	\$142,359,070.00	51.048
LEG-INTERNATIONAL - SSGA	\$9,019,754.00	3.221	\$13,581,034.00	4.870
LEGISTRATORS RETIREMENT TOTAL FUND	\$125,208,335.00	44.719	\$122,932,172.00	44.082
TOTAL	<u>\$279,989,915.00</u>	100.000	<u>\$278,872,276.00</u>	100.000

Judges' Retirement Fund:

<u>Asset</u>	<u>BOOK VALUE</u>	<u>PERCENT OF PORTFOLIO</u>	<u>MARKET VALUE</u>	<u>PERCENT OF PORTFOLIO</u>
JUD-INTERNAL SHORT TERM - CALPERS	\$34,557.00	100.000	\$34,557.00	100.000
TOTAL	<u>\$34,557.00</u>	100.000	<u>\$34,557.00</u>	100.000

Affiliate Funds Report- July 31, 2005

Judges II Retirement Fund:

<u>Asset</u>	<u>BOOK VALUE</u>	<u>PERCENT OF PORTFOLIO</u>	<u>MARKET VALUE</u>	<u>PERCENT OF PORTFOLIO</u>
JUDGES II - INTERNATIONAL - SSGA	\$20,317,073.00	12.923	\$31,874,070.00	18.846
JUDGES II TOTAL FUND	\$136,897,659.00	87.077	\$137,254,433.00	81.154
TOTAL	<u>\$157,214,732.00</u>	100.000	<u>\$169,128,503.00</u>	100.000

Public Employees' Medical & Hospital Care Act Contingency Reserve Fund:

<u>Asset</u>	<u>BOOK VALUE</u>	<u>PERCENT OF PORTFOLIO</u>	<u>MARKET VALUE</u>	<u>PERCENT OF PORTFOLIO</u>
CRF INTERNAL SHORT TERM - CALPERS	\$6,682,420.00	100.000	\$6,682,420.00	100.000
TOTAL	<u>\$6,682,420.00</u>	100.000	<u>\$6,682,420.00</u>	100.000

Volunteer Firefighters Length of Service Award Fund:

<u>Asset</u>	<u>BOOK VALUE</u>	<u>PERCENT OF PORTFOLIO</u>	<u>MARKET VALUE</u>	<u>PERCENT OF PORTFOLIO</u>
VFF-INTERNAL SHORT TERM - CALPERS	\$2,610,734.00	100.000	\$2,666,570.00	100.000
TOTAL	<u>\$2,610,734.00</u>	100.000	<u>\$2,666,570.00</u>	100.000

Affiliate Funds Report- July 31, 2005

Supplemental Contribution Fund:

<u>Asset</u>	<u>BOOK VALUE</u>	<u>PERCENT OF PORTFOLIO</u>	<u>MARKET VALUE</u>	<u>PERCENT OF PORTFOLIO</u>
SCP TOTAL FUND	\$16,700,769.00	85.326	\$16,935,489.00	80.478
SUPPLEMENTAL CONTRIBUTION - INTL EQUITY	\$2,872,124.00	14.674	\$4,108,231.00	19.522
TOTAL	<u>\$19,572,893.00</u>	100.000	<u>\$21,043,720.00</u>	100.000

Self Fund Health Care:

<u>Asset</u>	<u>BOOK VALUE</u>	<u>PERCENT OF PORTFOLIO</u>	<u>MARKET VALUE</u>	<u>PERCENT OF PORTFOLIO</u>
SELF FUND HEALTH - CALPERS	\$90,486,932.00	100.000	\$90,367,283.00	100.000
TOTAL	<u>\$90,486,932.00</u>	100.000	<u>\$90,367,283.00</u>	100.000